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Hot Topic: Unclaimed Property Reporting Due May 1, 2002

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UNCLAIMED PROPERTY REPORTING DUE MAY 1, 2002

By Dick Phebus
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Tennessee law regarding unclaimed property requires entities, including municipal governments, to file annual reports with the State of Tennessee Treasury Department by May 1 of each year for all tangible and intangible property that is presumed abandoned. *Tennessee Code Annotated (TCA) 66-29-101–153* is the Tennessee Uniform Disposition of Unclaimed Property Act. The act requires all holders of unclaimed or abandoned property to file a report with the state treasurer for all unclaimed property in excess of \$50. Property must be listed on specific forms (see website below), and all cash and other intangible property must be remitted.

Local governments and other entities have been given a period of voluntary compliance with the act and with the amendments to the act passed in 2001, which created the window of amnesty. Entities that go back and report previously omitted unclaimed property will not be assessed penalties for late filing (of prior years) if they report all property and file by May 1, 2002. The state is serious about requiring entities to file reports with the state treasurer and hopes this amnesty period will increase voluntary compliance.

Examples of unclaimed or abandoned property include security or meter deposits, uncashed payroll checks, outstanding checks, refunds, and fees for personal services. Holders should review the law for other examples of unclaimed property that should be reported.

Penalties for non-compliance can be substantial. After the initial grace period ends on May 1, 2002, a penalty of 10 percent of the property value may be charged for each year the property was unreported. This penalty shall not exceed 25 percent of the property value or \$50,000 whichever is less. However, if the delinquent property is discovered as a result of an exam, the penalty is the greater of the calculated penalty or the cost of the exam. After May 1, 2002, the state may contract with third parties to conduct an examination of records. Examination of records may occur at any time if the state suspects or learns that an entity may have unclaimed property that has not been reported.

What can cities do to avoid or minimize the possibility of being assessed penalties for unreported property or from an on-site examination of records?

- Diligently identify property owners, and pay those that are found.
- Report all property that is owed to missing owners to state treasurer by May 1, 2002.

- Provide the state treasurer with full names, addresses, and other details about owners in order to properly identify the owner.
- Maintain accurate books and records to permit identification of owners.
- Become familiar with the provisions of the law pertaining to compliance with reporting requirements.

The State Treasurer's office maintains a website which provides useful information on the law along with forms and frequently asked questions. The website is www.treasury.state.tn.us/unclaim/index-holder.htm.

Questions can be directed to the Treasury Department Unclaimed Property Division at 615-253-5362 or e-mail UCP.Holders@state.tn.us.

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